

Testimony of Mr. John Lincoln
House Agriculture Committee Field Hearing
Canandaigua, New York
June 26, 2006

Chairman Goodlatte
House Agriculture Committee Members

Mr. Chairman, and Committee Members:

My name is John Lincoln. Thank you for the opportunity to provide comments to the Committee about the effects of the 2002 Farm bill, and how current and future challenges might be addressed in the 2007 Farm Bill as seen from the perspective of our dairy farm operation.

I speak to the Committee as owner and operator of Linholm Dairy. I am a first generation dairy farmer from the Town of East Bloomfield in Ontario County. However, my ancestors have farmed and lived in the Canandaigua Lake region since the early 1700's. I developed a strong interest in farming growing up in the rural farming community of Bloomfield. I began my farming career raising calves for 4-H projects and my interest in agriculture and farming continued through my education at Cornell University College of Agriculture and Life Sciences where I received a B.S. degree in Business Management and Dairy Science.

Linholm Dairy L.L.C. today is a 550-acre farm of corn and alfalfa on gently rolling productive soils with 170 milking cows and 150 young stock of registered Holsteins. Our son Mike and daughter Julie are partners in the business with my wife Anne and me. We are currently going involved in an expansion project as a transition into the next generation entering the business, which will increase our dairy herd to 275 milking cows, housed in a new cow-comfort barn. An EQIP grant for nutrient management is an important source of funding for this transition.

I want to make it clear to the Committee that our farms development and success has been made possible in part by a strong rural community and educational infrastructure. As we look to past successes of the farm bills, we must make sure to maintain strong land grant institutions like Cornell, and the related community agriculture supports that come from agriculture extension, and their important programs that are well known and widely utilized in rural communities.

I also want to make sure that the Committee understands that I am very optimistic about the future of our dairy farm and am equally optimistic about the future of the industry in the state. My comments regarding farm bill issues are intended to make sure that my optimism about my farms future is a reality.

There are a number of important areas that I would like to bring to your attention today. I will try to address each from the perspective of the 2002 farm bill, and how modifications or additions might be incorporated in the 2007 farm bill to make the bill more effective. Such issues include: dairy and dairy pricing programs; conservation programs; research; crop programs; and risk management programs.

First, as a dairy farmer, the most obvious issue to address is milk pricing and marketing. For background, New York is the 3rd largest dairy state nationally, with 6700 dairy farms, producing 12.1 Billion pounds annually (2005). Herd sizes in New York, as in most of the rest of the nation have been increasing so that in 2005, 46.5 % of dairy farms were 200 + cows per farm, up from only 22% in 1996. As farmers strive to compete, production per cow has increased from 16,300 lbs per year in 1996, to 18,639 lbs in 2005.

I will not try to go into the history of the development of the dairy pricing mechanisms, but it is important to remember that dairy cows are not like water faucets—you cannot turn off and on the spigot when you need, or do not need milk. Production takes a relatively long time to gear up to meet demand, and after production has increased, lower demand can result in overproduction and thus lower prices. Thus, the critical need to provide some stability to pricing at the farm level. The DPSP (Dairy Price Support Program) provides a general safety net to the industry, and it is important as we move forward into the next farm bill, that we do not remove this basic support.

In the Northeast where fluid market utilization is relatively high, the reality is that our dairies need a class one safety net such as is provided in MILC, or alternatively in regional compacts. The MILC program-despite its shortcomings regarding caps on production- acts as a safety net to help dairy farmers weather the extreme cyclical price fluctuations that the industry has experienced over the last decade. The MILC program is limited to 2.4 million pounds of milk produced annually per farm operation.

New York farmers have received \$186.7 million from the program. On our farm, we received about \$ 35,000 in 2003 in MILC payments. Once again, we are experiencing low milk prices, and the counter-cyclical aspect of the MILC program is working. Milk prices have fallen below the trigger price of the MILC program, so that the a May payment of \$.86/cwt will be paid to dairy farmers. This will certainly help us to maintain our business. These payments in times of extremely low milk prices helped keep the Northeast's family farmers from having to exit the dairy business, and pumped critical dollars into each states rural economies.

The MILC program has benefited our dairy industries in the past as an effective counter cyclical program that provides a safety net for farmers only when the price of Class 1 milk drops to the established MILC price.

Continuation of the current MILC program into the 2007 farm bill would provide a seamless program with the administrative and management protocol already in place to conduct the MILC program when milk prices fall to trigger levels.

Conservation Programs have certainly been touted as the means of providing WTO compliant support in the future, and conservation programs are playing, and have played an important role on our farm. We have utilized EQIP (Environmental Quality Incentives Program) for nutrient management and storage facilities for manure. Given the increased pressures for agriculture to move to ever-increasing higher standards for land stewardship, programs like EQIP are essential to ensure that the regulatory burdens that are placed on even farms of my size, can be managed financially without putting the farms success in financial jeopardy. I do point out that farmers have been, and will continue to be extremely aware of environmental concerns and farmers know the need to be environmentally responsible to ensure that our land assets remain productive.

As the next farm bill is drafted, we certainly think that it is important to maintain such tools that have been necessary in providing incentives for farmers to meet compliance measures. Other conservation programs like CSP might be more extensively utilized in the future, but the programs must be more user friendly to farmers. Although we have not applied for, or been able to apply because of watershed restrictions, CSP has the reputation of not being accessible to farmers because of the paper work and restrictive application. If in fact, agriculture support programs become more “green”, it is increasingly critical that the programs are accessible to all farmers throughout the state, not just those that happen to farm in high profile watersheds.

NY farmers received \$13,128,566 in EQIP (2005), and although 13 million may sound like a significant source of funding for New York’s farmers, I point out that the state has 6700 dairy farms and even without factoring in the many additional farms in New York, it is easy to see that 13 million does not provide much per farm in incentives. Additional EQIP funding is needed. Of course, language in statute does not help farmers if the appropriations to back up the statute language are not available.

Research: It is impossible to talk about the progress of our farm in particular, and generally throughout agriculture, without pointing to the fact that much of the success has been due to both applied and basic research. On our farm, dairy genetics, nutrition, and an untold number of other aspects of our business have been greatly changed in the recent past by application of applied research.

At the university level, opportunities to perform both basic and applied research will help insure the availability and safety of our food supply. Applied research opportunities for on-farm applications could be enhanced by increased and continued funding for the Centers for Agriculture Innovation as found in the 2002 farm bill. In New York, we have utilized that funding to leverage state funding to establish the Farm Viability Institute (FVI), which provides grants for producers doing a variety of innovative marketing, and applied research projects.

Examples of opportunities for applied research that should be adopted to help farms like mine succeed in the future would include development of smaller, farm sized energy producing equipment utilizing either methane, or ethanol to produce the farms energy

requirements, or the ability to sell energy back to the grid. Current methane digesters require (it seems) mechanical engineers maintain the structures and process. The actual potential for revenue production on these types on structures eludes most farms.

Language in the next farm bill should mandate adequate funding for agriculture research at the University level, plus adequate funding for innovative programs such as the NY FVI.

Crop production is key to the success of most Northeast, and New York dairy farms, and ours is no an exception. We grow 225 acres of corn, and 225 acres of alfalfa to feed our dairy animals. The past farm bill has provided the needed safety net for crop production.

I am sure that you are all aware of the expenses of crop production. When you add actual cash costs, and then depreciation, land costs, equipment costs, taxes and labor into crop production, it is evident that investments needed to produce the crops and forages for feeding operations are extremely high. Safety net supports are needed to provide stability in the industry. For example, last year on our farm, LDP for corn silage was \$0.40 /bu, which was an important factor in providing cash flow to the business to offset high crop inputs.

Whether you are putting grain through animals for meat or milk, or selling the grain as a cash crop, the reality is that in either case, a safety net support is of great importance to maintain agriculture infrastructure necessary to provide the consuming public the safe adequate and inexpensive food supply. That is what is expected, or more accurately, demanded of our farmers by the U.S. consumer.

Tied into crop production and research as I already mentioned is the potential for biofuel production on NY farms. In New York, four commercial facilities are actively in the works at various stages of planning. Opportunities are exciting for NY farmers such as myself to either be able to provide fuel (corn, sugar beets, potato, soybeans, or other cellulosic materials for ethanol or biodiesel production), and /or take advantage of byproducts produced such as brewers grains, for dairy feed alternatives.

Risk Management in various forms is a tool used on our farm. We currently have a buy-up policy on alfalfa, but I want to point out, that if farmers are to increase utilization crop insurance programs, the policies must become more flexible to meet a wide variety of production and crops. I realize the difficulty in providing an actuarially sound policy while still making the policy costs to farmers realistic. Policies need to take into account more effectively, APH changes due to numerous years of low production.

One type of risk management tool that really has great potential, and would have been effective in the dairy industry over the last 3-4 years is the development and implementation of Farm and Agriculture Risk Management (FAARM) accounts. FAARM accounts would allow farmers to set aside tax-deferred income in good years and draw money back out of the FAARM account in the lower income years offering a

better opportunity to balance income from year-to-year. As you know the high milk prices received over 2 years ago have been replaced by very low prices this year, and a tax-deferred account would be a valuable tool to save in years of higher income without a heavy tax burden, and utilize those funds in years of low prices.

I again want to thank Chairman Goodlatte, my Congressman Randy Kuhl, and the other Committee members present for holding this Farm Bill Hearing in the beautiful Finger Lakes region of New York. Agriculture and tourism are very important to the economy and environment of Upstate New York, and especially here in the Finger Lakes with its many productive farms and wineries.

I hope that my testimony has impressed upon the Committee the importance of including within the next farm bill, those programs that have been successful in the past as well as modifications and additions that will be effective in maintaining a viable and productive agriculture industry. A progressive and viable agriculture industry is necessary to produce a healthy, safe, available and reasonably priced food supply for our nation's consumers.